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ABSTRACT

Using data from a variety of sources, including public records and the Web site of the Center for Responsive Politics, this study examined the political spending of the five largest holders of federally subsidized student loans: Sallie Mae, the Student Loan Corporation of Citibank, First Union National Bank, Wells Fargo Education Financial Services, and the National Education Loan Network. Political spending by these 5 corporations, including lobbying expenditures, totaled almost $60 million over the last 3 election cycles. Employees of these corporations contributed more than $1.1 million to the political process in the last three election cycles The Political Action Committees of the top five lenders contributed more than $3.7 million to federal candidates over the last three election cycles. Soft money contributions from these lenders totaled almost $5 million for the last 3 election cycles. Lobbying expenditures accounted for more than 80% of the lenders' political budget. (SLD)

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October 2002

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Executive Summary

The student loan industry, a $40 billion dollar-a-year market, is dominated by federally subsidized lenders. These lenders receive millions each year in subsidies from the federal government in addition to income from loan interest payments. This report documents the political spending of the five largest holders of federally subsidized student loans, namely Sallie Mae, the Student Loan Corporation of Citibank (a subsidiary of Citigroup), First Union National Bank, Wells Fargo Education Financial Services, and the National Education Loan Network (Nelnet).

The student loan industry has experienced rapid growth in recent years, as increasingly higher numbers of students borrow to finance their college education. At four year public colleges, annual borrowing rose 65 percent from 1992-1993 to 1999-2000.

As the student loan market has expanded, the student loan industry as a whole has increased its involvement in the political process by increasing political contributions and lobbying expenditures.

Some key findings in this report include:

• Political spending by the top five student loan corporations, including lobbying expenditures, totaled almost $60 million over the last three election cycles.

• Employees of the top five student lenders contributed more than $1.1 million to the political process during the last three election cycles in direct hard money contributions to candidates, donations to candidate and issue Political Action Committees (PACs), and contributions to political parties.

• The top five lenders' PACs contributed more than $3.7 million to federal candidates over the last three election cycles.

• Soft money contributions from the five largest student lenders totaled almost $5 million for the last three election cycles. Sallie Mae's soft money contributions for the 2002 cycle so far total almost $300,000, more than tripling its total soft money spending in the 2000 cycle.

• Lobbying expenditures accounted for more than 80 percent of the lenders' political budget, with the top five lenders spending $49.4 million on lobbying over the last three election cycles. Sallie Mae and Citigroup (parent company of Citibank) spent more than $42.9 million in lobbying expenditures during this period, accounting for almost 90 percent of the top five lenders' lobbying expenditures.

Introduction

The market for student loans has exploded in recent years, as college costs rise and the purchasing power of federal and state grant money decline. In 1999 and 2000, students borrowed a total of $35 billion in Stafford loans, up from about $15 billion in 1992-93.[1] At four year public institutions, annual borrowing by students increased by 65 percent from 1992-93 to 1999-2000.[2]

Consequently, a powerful student loan industry has emerged, pouring millions of dollars into the political process each year, through campaign contributions from individuals and Political Action Committees (PACs), soft money contributions and lobbying expenditures. This report examines the political spending of the top five holders of student loans, all of which participate in the Federal Family Education Loan Program (FFELP).

Sallie Mae leads the student lending pack in loan holdings, with a volume of more than $65 billion, more than double the loan volume of the next four largest student loan holders combined.[3] Over the past year, Sallie Mae reported an income of more than $620 million, with sales in the range of $3.7 billion.[4]

The remaining top five holders of student loans, in order of highest to lowest rank, are Citibank's Student Loan Corporation (a subsidiary of Citigroup), First Union National Bank, Wells Fargo Education Financial Services, and the National Education Loan Network (Nelnet). Nelnet serves as an intermediary between students and lenders, providing loan services to students through more than a dozen banks, including Citibank.

In recent years, Sallie Mae and other student lenders have increased their involvement in politics, spending more money on campaign giving, political action committee (PAC) spending, and soft money donations. Sallie Mae formed its own PAC in 1998, and just last year, the National Education Loan Network (Nelnet) founded a PAC for its company as well. In 1998, Citibank's Student Loan Corporation, Sallie Mae's biggest competitor and the second largest loan holder, hired its first lobbyist.

Collectively, these trends indicate that the student loan industry is making it a priority to increase its involvement in the political process. This is only likely to continue as the newly elected 108th Congress begins the process of reauthorizing the Higher Education Act in 2003. Among the issues Congress will be considering are federal subsidies for lenders, benefits for students, limits on student indebtedness and regulatory oversight of student loan programs.

Following the Money Trail: Lenders' Political Spending

These lenders and the employees that work for them have increased their spending on campaign contributions, soft money donations and lobbying over the last three election cycles. Wells Fargo, First Union and Citibank use the access this political spending affords to lobby for a host of financial issues, in addition to student loan issues. Sallie Mae and Nelnet, in contrast, focus their advocacy almost entirely on student lending policy.

Contributions by Employees of Student Loan Companies

Hard Money Contributions to Candidates

By law, corporations are barred from directly supporting political campaigns with hard money donations. However, the employees of a company can individually make contributions of up to $2,000 per election cycle.

Individuals employed by the top five holders of student loans contributed more than $758,000 in hard money to political candidates over the past six years. Contribution levels from these lending institutions more than tripled from the 1998 election cycle to the 2002 cycle.

First Union led in hard money donations to candidates, with its employees giving more than $300,000 in contributions over the last three election cycles (1997-2002). Sallie Mae's employees contributed more than $56,000 during the same period.

Table 1. Individual Hard Money Contributions to Federal Candidates: By Lender

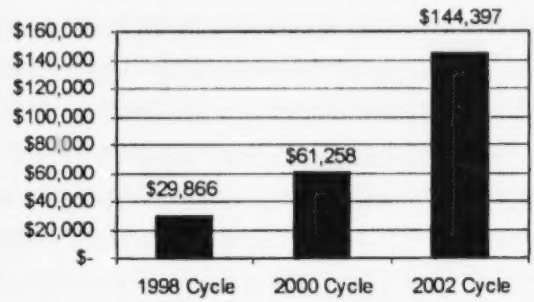
Lender	2001-2002[a]	1999-2000	1997-1998	Total
First Union	$62,850	$197,950	$54,933	$315,733
Wells Fargo	$77,070	$109,510	$18,850	$205,430
Citibank	$53,400	$86,630	$31,840	$171,870
Sallie Mae	$13,300	$13,000	$30,250	$56,550
Nelnet	$7,500	$1,250	$0	$8,750
Totals	**$214,120**	**$408,340**	**$135,873**	**$758,333**

Contributions to PACs

In addition to making contributions to political candidates, lenders' employees give individual donations to candidate and issue Political Action Committees (PACs), which provide a way for employees to funnel more money to political candidates and parties.

Employee donations to PACs have increased sharply over the last three election cycles, increasing by almost five times from 1998 to 2002, as shown in *Figure 1*.[b]

Figure 1. Individual Employee Contributions to Candidate and Issue PACs



Of the five largest lending institutions, Sallie Mae's employees donated the most to PACs. Almost three-fourths of the total PAC contributions from the top five lenders' employees in the 2002 cycle came from individuals who work for Sallie Mae.

Table 2. Individual Contributions to Candidate and Issue PACs: By Lender

Lender	2001-2002[c]	1999-2000	1997-1998	Total
Sallie Mae	$105,800	$0	$250	$106,050
Citibank	$7,950	$20,918	$20,396	$49,264
Wells Fargo	$20,505	$15,490	$5,560	$41,555
First Union	$8,142	$19,850	$3,660	$31,652
Nelnet	$2,000	$5,000	$0	$7,000
Totals	**$144,397**	**$61,258**	**$29,866**	**$235,521**

[a] Based on data downloaded from FEC on September 9, 2002.
[b] These numbers do not include employee contributions to their employers' PACs.
[c] Based on data downloaded from FEC on September 9, 2002.

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Contributions to Political Parties

Employees at the five largest lenders also made substantial donations to political parties throughout the last three election cycles. Donations by Citibank, First Union and Wells Fargo employees accounted for 96 percent of the total contributions given to political parties during this period.

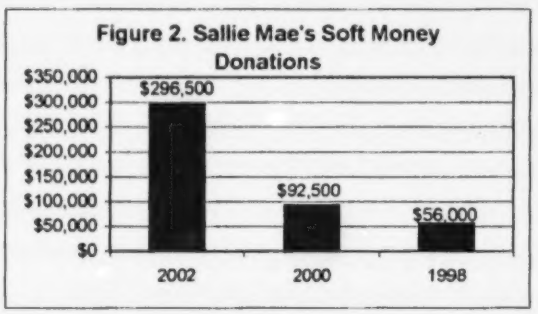
Given the relatively small number of individuals employed by Sallie Mae compared with Citibank, First Union and Wells Fargo, the average contribution per Sallie Mae employee is significant. Sallie Mae employs approximately 6,000 individuals, while Citibank and Wells Fargo employees total almost 400,000. By this measure, the average Sallie Mae employee contributed more than five times the amount that the average Citibank or Wells Fargo employee gave to political parties over the last three election cycles.

Table 3. Individual Contributions to Political Parties: By Lender

Lender	2001-2002[d]	1999-2000	1997-1998	Total
First Union	$22,906	$48,500	$2,995	$74,401
Wells Fargo	$9,900	$37,574	$3,265	$50,739
Citibank	$2,465	$16,760	$2,097	$21,322
Sallie Mae	$3,500	$2,650	$250	$6,400
Nelnet	$250	$0	$0	$250
Totals	**$39,021**	**$105,484**	**$8,607**	**$153,112**

Soft Money Donations

While companies are restricted from giving directly to political candidates, they can give soft money contributions to political parties, which use this money to run advertisements and influence elections in other ways. Soft money donations by the five largest lenders totaled almost $5 million from 1997-2002.



As shown in *Figure 2*, Sallie Mae's soft money donations have increased substantially over the last three election cycles. The company has contributed almost $300,000 alone for the 2002 election cycle, more than tripling its soft money spending in the 2000 cycle.

Table 4. Soft Money Contributions Over Last Three Election Cycles: By Lender

Lender	2001-2002[e]	1999-2000	1997-1998	Total
Citigroup[f]	$1,321,253	$1,509,010	$774,879	$3,605,142
First Union	$68,986	$569,850	$170,000	$808,836
Sallie Mae	$296,500	$92,500	$56,000	$445,000
Wells Fargo	$34,572	$101,750	$0	$136,322
Nelnet	$0	$$0	$0	$0
Totals	**$1,721,311**	**$2,273,110**	**$1,000,879**	**$4,995,300**

[d] Based on data downloaded from FEC on September 9, 2002.
[e] Based on data downloaded from FEC on September 9, 2002.
[f] Citigroup is the parent company of Citibank.

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Contributions from Lenders' Political Action Committees (PACs)

Each of the five largest lenders has at least one corporate PAC, which gives to political parties and candidates on behalf of the company. PACs can contribute up to $5,000 to each candidate in each election cycle, with candidates facing a primary and a general election eligible for an additional $5,000 from PACs.

Several lenders only recently formed PACs; Sallie Mae started its own PAC in 1998, and Nelnet founded one in 2001. Larger banks, including Citigroup (the parent company of Citibank) and Wells Fargo, have several PACs, allowing them to separate state, local, and federal targets for political contributions.

Since the 1998 election cycle, PACs of the top five lenders contributed more than $3.7 million to federal candidates' campaigns. Citigroup led in PAC spending, with its four corporate PACs collectively contributing more than $1.7 million to federal candidates over the past three election cycles. Sallie Mae's PAC spent almost $800,000 during this period.

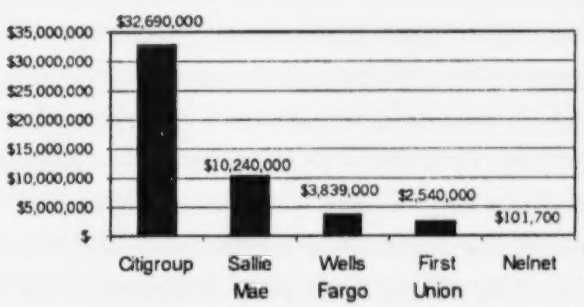
Table 5. Contributions from Lenders' Political Action Committees to Federal Candidates

Lender	2001-2002[g]	1999-2000	1997-1998	Total
Citigroup[h]	$438,500	$561,026	$741,070	$1,740,596
Sallie Mae	$250,785	$380,693	$153,500	$784,978
Wells Fargo	$176,710	$250,900	$226,075	$653,685
First Union	$172,900	$212,200	$172,999	$558,099
Nelnet	$18,050	$0	$0	$18,050
Totals	**$1,056,945**	**$1,404,819**	**$1,293,644**	**$3,755,408**

Lobbying Expenditures

Lobbying expenditures accounted for more than 80 percent of the top five lenders' political spending during the last three election cycles. During this period, these lending companies collectively doled out more than $49.4 million to lobby politicians. Citigroup, First Union and Wells Fargo all lobby on numerous financial issues, in addition to student lending policy.

Figure 3. Lobbying Expenditures (1997-2002)



Almost 90 percent of these lobbying expenditures, about $42.9 million during this period, were paid for by Citigroup (parent company of Citibank) and Sallie Mae, the country's two largest holders of student loans.

[g] Based on data released by the FEC on October 18, 2002.
[h] Citigroup is the parent company of Citibank.

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Sallie Mae's lobbyist expenditures outpace even notorious special interest corporations. In the 1998 and 2000 election cycles, Sallie Mae spent more on lobbying than RJ Reynolds Tobacco. Sallie Mae's lobbying expenditures far outpace that of First Union and Wells Fargo, even though First Union and Wells Fargo lobby on numerous financial issues and Sallie Mae only on a single issue.

In addition to in-house lobbyists, the top five lenders hired private consulting firms, many of whom employ former senators and representatives as their lobbyists.[5] Of the 36 lobbyists that Sallie Mae hired to work for the company throughout the 1998 and 2000 election cycles, seven were former Congressmen, and seventeen were former Congressional staffers, many of whom served as chiefs of staff and senior advisers.

Throughout the 2000 and 1998 election cycles, Sallie Mae paid $640,000 to the Clark and Weinstock lobbying firm, more than double the fees paid to any other lobby group that the lender hired. Eight of the ten lobbyists who worked on Sallie Mae's behalf from Clark and Weinstock were former Congressmen or Congressional staff. Two of the firm's lobbyists, Vic Fazio and Vin Weber, served on the appropriations committee in the House during their Congressional careers.

One of Sallie Mae's lobbyists, who was hired individually to work for the lender, was Pat Williams, a former Democrat in the House of Representatives. Williams served as Chair of the education committee in the House, as well as on the budget committee during his time in Congress.

Citibank's Student Loan Corporation hired its first lobbyist in 1998 to work specifically on student lending issues. Stephen C. Biklen, formerly President and CEO of Citibank's lending subsidiary, also served as Chairman of the Congressionally-chartered Advisory Committee on Student Financial Assistance.

Given the amount of money the top five lenders devote to both internal and independent lobby operations, lobbying appears to be the most important part of these lending institutions' political involvement. Each of the five largest lenders spent substantially more money on lobbying than on soft money donations or PAC spending. Again, Citigroup, First Union and Wells Fargo all lobby on numerous financial issues, in addition to student lending policy; however, this massive spending affords them incredible access on any issue of interest.

Table 6. Lobbying Expenditures Over the Last Three Election Cycles

Lender	2001-2002[1]	1999-2000	1997-1998	Total
Citigroup[J]	$5,740,000	$9,200,000	$17,750,000	$32,690,000
Sallie Mae	$1,400,000	$3,840,000	$5,000,000	$10,240,000
Wells Fargo	$950,000	$1,569,000	$1,320,000	$3,839,000
First Union	$620,000	$900,000	$1,020,000	$2,540,000
Nelnet	$40,000	$61,700	$0	$101,700
Totals	**$8,750,000**	**$15,570,700**	**$25,090,000**	**$49,410,000**

[1] The figure for the 2002 election cycle only includes the expenditures reported by the company in its 2001 mid-year and end-year reports; 2002 reports are not yet available. Therefore, it does not include 2002 expenditures and may not include out-of-house lobbying expenditures.
[J] Citigroup is the parent company of Citibank.

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Methodology

We identified the five largest holders of student loans using a rankings list compiled by the Department of Education, with figures current as of September 30, 2001. Among the five companies that were studied in this report, only Sallie Mae and Nelnet deal exclusively in the student loan business. It was not possible to extract data specifically for the student loan departments of Citigroup/Citibank, Wells Fargo, and First Union; therefore, we used total spending for these corporations.

We obtained all data for this report from the Center for Responsive Politics' website, www.opensecrets.org, which obtains its data from the Federal Election Commission (FEC).

We compiled contributions and lobbying data for the last three election cycles: 2002 (January 1, 2001-December 31, 2002), 2000 (January 1, 1999-December 31, 2000) and 1998 (January 1, 1997-December 31, 1998). The data for the 2002 election cycle includes the latest information available from FEC.

We obtained the lobbying figures for the 1998 and 2000 election cycles from www.opensecrets.org. We obtained lobbying figures for the 2002 election cycle to date from the Senate Office of Public Records at //sopr.senate.gov.

It should be noted that the section detailing individual employees' contributions to PACs does not include donations to their companies' PACs. For example, contributions from Citibank employees made to Citibank's various corporate PACs would not be included in the figures totaling donations to PACs from individual employees. We indirectly analyze the financial impact of these donations in the section that details the spending of these corporate PACs.

Conclusions

Over the past six years, the nation's largest student lenders have made it a priority to increase their political spending. Campaign contributions and PAC donations from employees of the top five student lenders have increased throughout the past three election cycles, as have PAC spending and soft money donations by these lending corporations themselves. Overall political spending by these five lending institutions since 1997 has outpaced many other influential and more nationally recognized special interests.

That such a small number of companies are pouring such large sums of money into the political process is certainly a concern. However, the real danger lies in the political outcomes that these lending institutions hope to achieve with their large-scale spending. Policy that would maximize benefits for the lenders is all too often policy that comes at the expense of students and taxpayers. Increased loan limits translates into higher debt levels for students, bigger subsidies for the lenders means more taxpayer money paying for those subsidies Reduced benefits on consolidation loans or in regular loans can deliver increased subsidies to lenders while inevitably making college payments more difficult for students and their families.

In 2000 alone, Sallie Mae hired 36 lobbyists to work on its behalf. In addition to Sallie Mae, however, there are over 50 other student loan holders who hire lobbying groups each year to push for policy that benefits the student loan industry. Each year, while these lenders contribute millions to political campaigns and hire some of the largest and most influential lobbyists, there are two groups in Washington D.C. working on behalf of students.

Endnotes

[1] Calculated from The College Board, *Trends in Student Aid 2000*.
[2] A Report of the Advisory Committee on Student Financial Assistance. *Empty Promises: The Myth of College Access in America*: 11
[3] FinAid, http://www.finaid.org/loans/biglenders.phtml.
[4] SLM Corporation: Company Report, available at http://moneycentral.msn.com/investor/research/profile.asp?Symbol=SLM.
[5] We obtained all lobbyist profiles from the Center for Responsive Politics at www.opensecrets.org.

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